HOUSING MARKET OUTLOOK

Winnipeg CMA

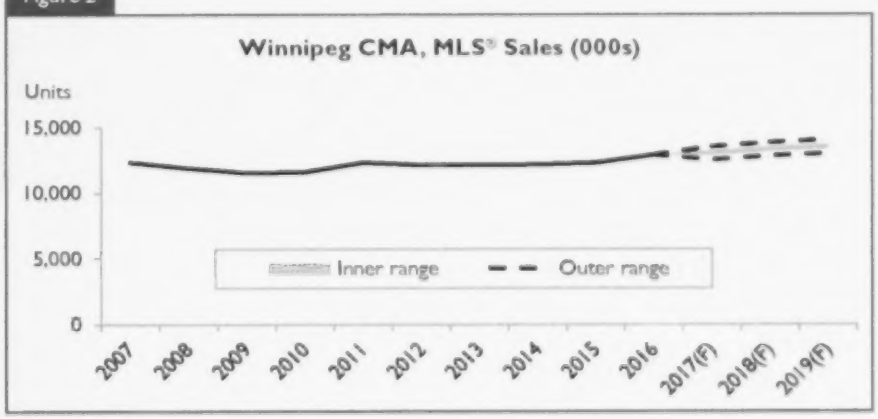
CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Fall 2017

Figure 1

Source: CMHC, CMHC Forecast (F)

Figure 2



Source: CREA, CMHC Forecast (F)

Highlights[1]

- Total housing starts to increase noticeably in 2017, with a slight slowdown in 2018 and growth in 2019.
- Resale market to remain stable through 2019 with moderate price growth and a steady increase in sales.
- Increases in rental supply will cause the vacancy rate to edge up slightly in 2018.

New home market: Housing starts to finish the year off strong and fall slightly in 2018

Total housing starts in the Winnipeg CMA increased sharply by close to 50% through eight months of 2017, and are expected to reach relatively high levels by the end of the year. A recently introduced impact fee on new construction in the city of Winnipeg has contributed to the acceleration in housing starts this year. As the market responds to higher levels of new construction, housing starts will ease in 2018. In 2019, positive gains in the labour market will allow starts to rise.

[1] The forecasts and historical data included in this document reflect information available as of October 2, 2017.

Canada

CMHC SCHL

Figure 3

Source: CREA, CMHC Forecast (F)

An elevated level of starts in 2017 is expected to lead to additional pressures on inventories. If absorption levels fall this could cause builders to slow down production more than expected.

Single-detached housing starts are on pace to increase in 2017. Year-to-date single-detached starts were up by 28.9% in August compared to the same period last year, and units under construction up 25.7%. Due to the high level of construction activity in 2017, starts are projected to decline in 2018, but will rise slightly in 2019 following continued employment and population growth.

Lower multi-family inventory levels in 2016 allowed for a boost in construction in 2017. Year-to-date multi-family housing starts were up 64.7% in August compared to the same time period in the previous year, largely due to a more than tripling of condominium apartment starts. This elevated level will lead to a lower construction activity in 2018. In 2019, favourable demographic growth will support a gradual increase in starts.

Existing home market: MLS® sales projected to continue steady growth through 2019

In the resale market, MLS® sales finished off 2016 at 12,871 units, a record high for resale transactions. Sales in 2017 are projected to be slightly higher by the end of the year. Increases in full-time employment and low mortgage rates have helped keep sales stable in 2017. While mortgage rates are expected to increase over the next year, employment growth and more move-up buyers will contribute to a gradual increase in sales in both 2018 and 2019.

The average MLS® price is projected to end higher in 2017 from the previous year, and would represent 18 years of consecutive price gains. New listings trended lower throughout much of 2017 while sales were consistent with last year's level, causing some upwards pressure on average resale prices. However, continued balanced market conditions, combined with an expected increase in new listings, will result in moderate increases in average prices in 2018 and 2019.

Rental market: New rental supply to lift vacancy rates to near three per cent

The apartment vacancy rate in the Winnipeg CMA was 2.8% in October 2016 and is projected to increase slightly to 3.1% in 2017. A large number of newly completed rental units at the end of 2016 is expected to cause some of the upward movement in the vacancy rate. As well, there has been a rise in rental construction activity. Year-to-date as of August, builders increased production by 8.9% over the same time period last year. As these units reach completion, there will be a further increase to rental supply which will cause the vacancy rate to edge up slightly to 3.2% in 2018. However, rental demand will keep the vacancy rate at 3.2% in 2019.

The average two-bedroom apartment rent was $1,068 in 2016 and with vacancy rates supporting rent growth, the average two-bedroom rate will increase to $1,095 in 2017. As new and newly renovated rental units become available to the market, average rents are expected to increase to $1,120 in 2018 and $1,145 in 2019.

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Economic and demographic trends: Population and employment levels to see gains

In the Winnipeg CMA, employment growth is expected to increase by 1.5% in 2017 following slow gains of less than one per cent in 2016. Positive GDP growth in Manitoba will fuel the labour market in Winnipeg with employment projected to increase by 1.3% in 2018. This will help lower the unemployment rate to a projected 5.5%.

Population growth is expected to remain strong in Winnipeg, growing at a rate of 1.8% in 2017. This growth will be largely supported by international immigration which is expected to remain high in 2018, although at levels lower than in 2017. Overall net migration will moderate over the forecast period as recovering provincial economies, particularly Alberta, will draw individuals away from Winnipeg.

Mortgage rates are expected to rise gradually over the forecast horizon

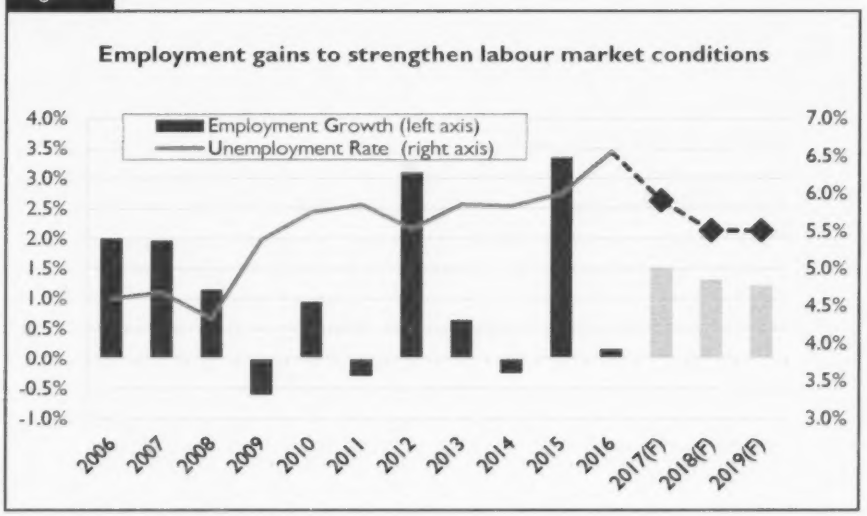
Mortgage rates are expected to rise modestly over the period 2017-2019. This increase is consistent with the expected improvement in domestic economic conditions and the predicted increase in world interest rates.

In our baseline scenario, the posted 5-year mortgage rate is expected to lie within the 4.9%-5.7% range in 2018 and within the 5.2%-6.2% range in 2019. Hence, the expected increase in this rate over 2017-2019 should be at most 160 basis points. Over our forecast horizon, mortgage rates are expected to stay below levels observed prior to the Great Recession.

Figure 4

Source: CMHC, CMHC Forecast (F), October Surveys

Figure 5



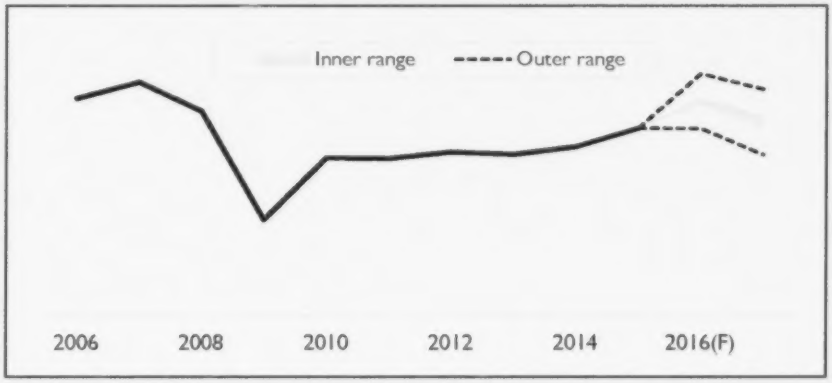
Source: Statistics Canada, CMHC Forecast (f)

Methodology for forecast ranges

The present edition of *Housing Market Outlook* incorporates forecast ranges for housing variables. Despite this change, all analyses and forecasts of market conditions continue to be conducted using the full range of quantitative and qualitative tools currently available. Two sets of ranges are presented in the publication:

- An inner range, which provides more precise guidance to readers on the outlook while recognizing the small random components of the relationship between the housing market and its drivers. This inner range is based on the coefficient of variation* of historical data and on past forecast accuracy. This range provides precision and direction for forecasts of housing variables, given a specific set of assumptions for the market conditions and underlying economic fundamentals.
- An outer range, which reflects potential risks to the forecast due to, for example, the impact of economic shocks. The outer range is based on a broader coefficient of variation of historical data and on past forecast accuracy. This range includes some low-probability events that could have a significant impact on the forecast.

Downward (or upward) adjustments to the ranges may be applied based on local market intelligence if there are more sources of risks (upside or downside) for that specific market.



* The coefficient of variation in this case is the standard deviation divided by the mean of that series. A higher coefficient of variation would produce wider ranges due to the higher volatility of the data, while a lower coefficient of variation would produce tighter ranges.

Forecast Summary Winnipeg CMA Fall 2017									
	2014	2015	2016	2017(F)		2018(F)		2019(F)	
				(L)	(H)	(L)	(H)	(L)	(H)
New Home Market									
Starts:									
Single-Detached	1,877	1,649	1,858	2,120	2,280	1,830	1,970	1,930	2,070
Multiples	2,371	2,751	2,196	2,850	3,550	1,870	2,330	1,960	2,440
Starts - Total	4,248	4,400	4,054	5,070	5,730	3,760	4,240	3,940	4,460
Resale Market									
MLS® Sales	12,147	12,267	12,871	12,810	13,190	13,110	13,490	13,310	13,690
MLS® Average Price($)	273,363	278,270	284,610	285,100	299,900	290,800	305,800	296,100	311,300
Economic Overview									
Mortgage Rate(5 year)(%)	4.88	4.67	4.66	4.60	5.00	4.90	5.70	5.20	6.20

	2014	2015	2016	2017(F)	2018(F)	2019(F)
Rental Market						
October Vacancy Rate (%)	2.5	2.9	2.8	3.1	3.2	3.2
Two-bedroom Average Rent (October)($)	1,016	1,045	1,068	1,095	1,120	1,145
Economic Overview						
Population	783,020	794,729	811,874	826,100	840,000	851,900
Annual Employment Level	410,800	424,500	425,100	431,100	436,700	441,900

Multiple Listing Service® (MLS®) is a registered trademark of the Canadian Real Estate Association (CREA).

Rental Market: Privately initiated rental apartment structures of three units and over.

The forecasts (F) included in this document are based on information available as of 2nd October 2017. (L)=Low end of range. (H)=High end of range.

It is possible that the low end (L) and the high end (H) of forecast ranges for residential housing starts for singles and multiples jointly may not add up to the total. This is caused by rounding as well as the volatility of the data.

Source: CMHC (Starts and Completions Survey and Market Absorption Survey). Statistics Canada. CREA(MLS®). CMHC Forecast (2017-2019).

DEFINITIONS AND METHODOLOGY

New Home Market

Historical home starts numbers are collected through CMHC's monthly Starts and Completions Survey. Building permits are used to determine construction sites and visits confirm construction stages. A start is defined as the beginning of construction on a building, usually when the concrete has been poured for the whole of the structure's footing, or an equivalent stage where a basement will not be part of the structure.

Single-Detached Start:
The start of a building containing only one dwelling unit, which is completely separated on all sides from any other dwelling or structure.

Semi-Detached Start:
The start of each of the dwellings in a building containing two dwellings located side-by-side, adjoining no other structure and separated by a common or party wall extending from ground to roof.

Row (or Townhouse) Start:
Refers to the commencement of construction on a dwelling unit in a row of three or more attached dwellings separated by a common or party wall extending from ground to roof.

Apartment and other Starts:
Refers to the commencement of construction on all dwellings other than those described above, including structures commonly known as stacked townhouses, duplexes, triplexes, double duplexes and row duplexes.

Average and Median Single Detached Home Prices:
Are estimated using CMHC's Market Absorption Survey, which collects home prices at absorption and measures the rate at which units are sold or rented after they are completed. Dwellings are enumerated each month after a structure is completed until full absorption occurs. The term "absorbed" means that a housing unit is no longer on the market as it has been sold or rented.

New Home Price Indexes:
Changes in the New Home Price Indexes are estimated using annual averages of Statistics Canada's monthly values for New Housing Price Indexes (NHPI).

Resale Market

Historical resale market data in the summary tables of the Housing Market Outlook Reports refers to residential transactions through the Multiple Listings Services (MLS®) as reported by The Canadian Real Estate Association (CREA). In Quebec, this data is obtained by the Centris® listing system via the Quebec Federation of Real Estate Boards.

MLS® (Centris® in the province of Quebec) Sales:
Refers to the total number of sales made through the Multiple Listings Services in a particular year.

MLS® (Centris® in the province of Quebec) Average Price:
Refers to the average annual price of residential transactions through the Multiple Listings Services.

Rental Market

Rental Market vacancy rates and two bedroom rents information is from Canada Mortgage and Housing Corporation's (CMHC's) October Rental Market Survey (RMS). Conducted on a sample basis in all urban areas with populations of 10,000 and more, the RMS targets privately initiated structures with at least three rental units, which. have been on the market for at least three months. The survey obtains information from owners, managers, or building superintendents through a combination of telephone interviews and site visits.

Vacancy Rate:
The vacancy rate refers to the average vacancy rate of all apartment bedroom types. A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

Two Bedroom Rent:
The rent refers to the average of the actual amount tenants pay for two bedroom apartment units. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water.

Economic Overview

Labour Force variables include the Annual Employment Level, Employment Growth, Unemployment Rate.
Source: Statistics Canada's Labour Force Survey.

Net Migration:
Sum of net interprovincial (between provinces), net intra-provincial (within provinces), net international (immigration less emigration), returning Canadians and temporary (non-permanent) residents as provided to the CANSIM database by Statistics Canada's Demography Division. Sources of inter-provincial and intra-provincial migration data include a comparison of addresses from individual income tax returns for two consecutive years from Canada Revenue Agency (CRA) taxation records. The migration estimates are modelled, with the tax file results weighted to represent the whole population.

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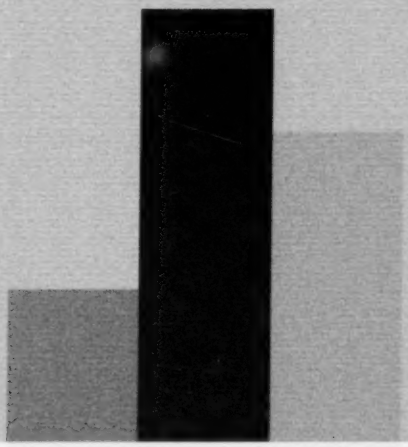

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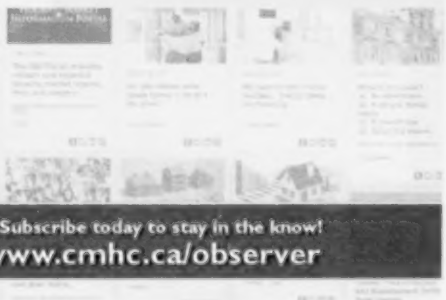

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